LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6916 **NOTE PREPARED:** Jan 31, 2015
BILL NUMBER: SB 415 **BILL AMENDED:** Jan 29, 2015

SUBJECT: Vacant and abandoned housing.

FIRST AUTHOR: Sen. Merritt **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) *Tax Deductions*: This bill provides that a county, city, or town fiscal body may adopt an ordinance to establish a deduction period for rehabilitated property that has also been determined to be abandoned or vacant.

Tax Sale Provisions: The bill specifies that there must be delinquent property taxes or special assessments on real property before it may be sold by the county treasurer as abandoned or vacant property. It provides that an order of a local building standards hearing authority that real property is abandoned or vacant and nonpayment of the associated penalty permits the executive of the county, city, or town to certify to the county auditor that the real property should be sold as abandoned or vacant property.

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The bill provides that an order of a local building standards hearing authority that real property is abandoned or vacant and nonpayment of the associated penalty permits the executive of the county, city, or town to certify to the county auditor that the real property should be sold as abandoned or vacant property.

This bill specifies that the county treasurer and not the county auditor is to auction abandoned or vacant property. It eliminates the concept of redemption after sale regarding abandoned or vacant property to be sold by the county treasurer.

The bill provides that the county, city, or town executive that certifies a property as abandoned or vacant has an option to take ownership of the property if the minimum bid is not received.

This bill separates out several provisions concerning abandoned and vacant property sales from delinquent tax sales and makes related changes.

The bill moves certain provisions concerning determinations of abandonment requested by counties, cities, and towns from the property law to the local government law.

The bill provides that a hearing authority may use the same standards that are used by a court in finding that real property is abandoned or vacant for purposes of selling the real property at an abandoned and vacant property sale. It permits a county, city, or town executive to use the courts instead of a hearing authority for the determination that a property is abandoned or vacant.

This bill prohibits owners of property that was found to be vacant or abandoned in any county, from buying property at a tax sale, and requires the Attorney General to include these owners on the tax sale blight registry.

The bill provides for the following: (1) Removal of properties not suitable for tax sale from the tax sale list. (2) A one year redemption period for property removed from the tax sale list. (3) Notice of removal of property from the tax sale list.

This bill eliminates a provision that permitted the county auditor to be the only signer of a sales disclosure form in the case of a tax sale because the sale disclosure form is not required for a tax sale.

The bill specifies that any form of registration by a foreign business association with the Secretary of State allows the business to participate in a tax sale.

This bill adds a requirement to issue a judgment when property is found to be abandoned. It adds conditions under which a property may be determined to be abandoned.

The bill provides that the interest rate to be paid for redeemed property is the adjusted interest rate used for refunds of state income taxes.

Mortgage Foreclosure: This bill makes the following changes to statutes concerning mortgage servicing:

(1) Amends the definition of "mortgage" in the statute concerning foreclosure prevention agreements for residential property to mean a federally related mortgage loan that is: (A) subject in whole or in part to the federal Real Estate Settlement Procedures Act (RESPA); and (B) secured by the debtor's primary residence.

(2) Requires a mortgage servicer (instead of a creditor) to provide notice to a debtor before filing a mortgage foreclosure action.

(3) Requires a small mortgage servicer to comply with federal regulations adopted under RESPA concerning early intervention, continuity of contact requirements, and loss mitigation procedures. (The federal regulations exempt small mortgage servicers from these provisions.)

(4) Repeals provisions regarding mortgage foreclosure action settlement conferences.

This bill also makes technical corrections.

Effective Date: January 1, 2015 (retroactive); July 1, 2015.

Explanation of State Expenditures: *Tax Sale Provisions*: The Attorney General's office currently maintains the Tax Sale Blight Registry. The owners of vacant or abandoned property will be added to the registry. The Attorney General's office should be able to add the additional names to the registry in the normal course of business using existing resources.

Mortgage Foreclosure: The mortgage foreclosure provisions in this bill may reduce the workload of the Office of the State Court Administrator and the Indiana Housing and Community Development Authority (IHCDA). The Office of the State Court Administrator manages the Mortgage Foreclosure Trial Court Assistance Project and the IHCDA oversees several foreclosure prevention programs.

Explanation of State Revenues:

Explanation of Local Expenditures: *Tax Sale Provisions*: Under this bill, counties, cities, and towns could face increased costs in providing notices regarding the planned sale of abandoned or vacant property. Currently, the notice must be mailed to the last known address of the owner. This bill specifies that: (1) the notice must be mailed by certified mail, return receipt requested; and (2) it must be mailed to all owners of record. Processing and mailing costs will increase for units that don't already follow these new requirements.

Explanation of Local Revenues: *Tax Deductions*: This provision could result in a greater number of rehabilitations of abandoned or vacant properties in adopting counties. Additional assessed value could be added to the tax base at the end of the deduction period.

Under current law, residential real property that has been rehabilitated may qualify for a property tax deduction under certain conditions. The deduction is available for five years and equals the increase in AV (limited to $18,720 per unit rehabilitated).

Current law also allows a deduction for any building or structure that is least 50 years old, if the owner paid at least $10,000 for the rehabilitation. The deduction is available for 5 years and equals 50% of the increase in AV (limited to $124,800 for a single-family dwelling or $300,000 for other property).

This bill allows a county, city, or town fiscal body to increase the term of either or both of these deductions to up to 15 years for abandoned and vacant properties.

Tax Sale Provisions: This bill would have indeterminate fiscal impact on the revenues that a taxing unit collects from the sale of abandoned and vacant property. The bill makes administrative changes that could encourage more sales of abandoned and vacant property, including the elimination of redemption periods and allowing hearing authorities, in addition to the courts, to declare properties as abandoned or vacant property. The number of abandoned and vacant properties available for sale could be reduced by the provision that allows a sale only if there are delinquent taxes or special assessments.

Counties, cities, and towns could also take possession of more property under this bill. The executive may request that the county auditor issue a deed for abandoned and vacant properties that don't sell at tax sale.

State Agencies Affected: Attorney General; Office of the State Court Administrator; Indiana Housing and Community Development Authority.

Local Agencies Affected: Counties; Cities, Towns; County treasurers; County auditors.

Information Sources:

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